



**ASSOCIATION OF ACCOUNTING TECHNICIANS  
OF SRI LANKA**

**CURRICULUM 2020**

**PILOT PAPER**

**Level II**

**201 - ADVANCED FINANCIAL ACCOUNTING  
AND COSTING (AFC)**

A publication of the Education and Training Division

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**Association of Accounting Technicians of Sri Lanka**  
**201 - Advanced Financial Accounting and Costing (AFC)**  
**Pilot Paper**

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**Instructions to Candidates (Please Read Carefully)**

**Time Allowed:**

Reading	:	15 Minutes
Writing	:	03 Hours

**Structure of Question Paper:**

- This paper consists of three Sections; Section A, Section B and Section C.
- All the questions of Section A, Section B and Section C should be answered.

**Marks:**

- Allocation of marks for each section:

<b>Section</b>	<b>Marks</b>
Section A	25
Section B	50
Section C	25
<b>Total</b>	<b>100</b>

- Marks for each question are shown with the question.
- The pass mark for this paper is 50%.

**Answers:**

- All answers should be written in the booklet provided, answers written on the question paper will not be considered for marking.
- Begin your answer of each question on a new page.
- All workings should be clearly shown.
- Do not write on the Margins.

**Answer Booklets:**

- Instructions are shown on the front cover of each answer booklet.

**Calculators:**

- Candidates may use any calculator except those with the facility for symbolic algebra and differentiation. No programmable calculators are allowed.

**Attached:**

- Action verb checklist – Each question will begin with an action verb (excluding OTQ's). Students should answer the questions based on the definition of the verb given in the checklist.

*Question 01*

Select the most correct answer for question No 1.1 to 1.5. Write the number of the selected answers in your answer booklet with the number assigned to the question.

1.1 Which one of following cannot be used to measure the elements of financial statements?

- (1) Realizable value. (2) Carrying value.  
(3) Present value. (4) Historical value. (02 Marks)

1.2 **Dotcom (PVT) Ltd.** paid Rs.151,000/- for income tax during the year ended 31<sup>st</sup> March 2020. Provision for Income tax as at 31<sup>st</sup> March 2019 and as at 31<sup>st</sup> March 2020 were Rs.37,000/- Rs.43,000/- respectively. If there is no over or under provision from previous years, Income Tax Expense for the year ended 31<sup>st</sup> March 2020 would be:

- (1) Rs.194,000/-. (2) Rs.43,000/-. (3) Rs.71,000/-. (4) Rs.157,000/-. (03 Marks)

1.3 **FAST PACK Company** manufactures glass bottles. The following information related a material which uses for manufacturing of glass bottles:

- Annual Demand 30,625
- Cost of holding per item Rs.2.00
- Cost of Ordering per order Rs.1.00

Economic Order Quantity (EOQ) is:

- (1) 600 units. (2) 248 units. (3) 175 units. (4) 425 units. (02 Marks)

**1.4** Which one of the following is an example for a Non-Adjusting Event in the financial statements?

- (1) A dividend declared after the reporting period.
- (2) A fine imposed by the court for a misconduct during the reporting period.
- (3) A significant damage to the factory building after the reporting period.
- (4) A significant damage to the trading stock due to floods after the reporting period.

**1.5** Which one of the following is **not** an advantage of integrated accounting system?

- (1) There is no duplication of work.
- (2) Clerical cost can be minimized.
- (3) Profit reconciliation is required between cost accounts and financial accounts.
- (4) Accounting functions are controlled more effectively. **(02 Marks)**

**Write the answers for question No 1.6 to 1.12 in your answer booklet with the number assigned to the question.**

**1.6** State two (02) differences between cost accounting and financial accounting. **(02 Marks)**

**1.7** State two (02) objectives of material control. **(02 Marks)**

**1.8** List two (02) disadvantages of time rate system. **(02 Marks)**

**1.9** State the provisions for each of the following according to the Partnership Ordinance 1890:

- (a) Introducing a new partner to the business.
- (b) Change in the nature of the business. **(02 Marks)**

**1.10** State two (02) benefits of Just in Time System (JIT). **(02 Marks)**

**1.11 A, B & C** partners of **ABC partnership** sharing profit and losses in the ratio of 5:3:2 respectively. **C** decided to retire from the partnership on 31<sup>st</sup> December 2019 and **A & B** agreed to continue the partnership sharing profit & losses in the ratio of 3:2 respectively.

As at 31<sup>st</sup> December 2019, the following assets were revalued as follow:

	Carrying value as at 31 <sup>st</sup> December 2019	Revalued amount as at 31 <sup>st</sup> December 2019
Land & Building	24,000	30,000
Motor vehicles	2,400	2,000

Assets were carried at revalued amount in the books of accounts

Prepare journal entries for revaluation of assets.

**(02 Marks)**

**1.12 XYZ Ltd** which is a manufacturing company maintains a non-integrated accounting system. The profit shown in the financial accounts was Rs.632,325/- for the year ended 31<sup>st</sup> December 2019. But different profit has shown in the cost accounts.

The following reasons were revealed for difference:

(1) Stock valuation:

	Cost accounts	Financial accounts
Opening stock	423,000	375,000
Closing stock	685,000	725,000

(2) Direct fee of Rs.250,000 was charged only Financial accounts.

**Calculate** the profit for the year ended 31<sup>st</sup> December 2019 as per Cost Accounts.

**(03 Marks)**

**(Total - 25 Marks)**

**End of Section A**

**Five (05) Compulsory Questions**

(Total 50 marks)

**SECTION B****Question 02**

- (A) **Java Company** is a trading company and transactions of an item sold for the month of December 2019 are as follows:

Date	Description	Quantity(units)	Unit price (Rs.'000)
01/12/2019	Opening stock	100	20
03/12/2019	Purchase	250	30
05/12/2019	Purchase	200	32
10/12/2019	Issues	150	-
15/12/2019	Issues	200	-
21/12/2019	Purchase	300	28
25/12/2019	Purchase	250	24
30/12/2019	Issues	450	-

This company prepares the stocks ledger using WAC method.

**You are required to:**

**Calculate** the following

- (a) Value of the closing stock. (03 Marks)
- (b) Cost of sales. (02 Marks)
- (B) There are four employees in brick processing division of **Tharushi Brick Processing Company** and the following information is relating to August 2019:

Name	Wage Rate	Hours worked during the month
Nimal	Rs.16 per hour	160
Nandasena	Rs.10 per hour	80
Amarasinghe	Rs.8 per hour	196
Amal (Supervisor)	Rs.3,200/- per month	160

The following additional information is provided:

- (1) A typical working month is 160 hours. Overtime is calculated at 150% on hourly wage rate.
- (2) Employer and Employee contributions to Employees Provident Fund (EPF) are 15% and 10% respectively on basic salary. Contribution to Employees Trust Fund (ETF) is 3% on basic salary.
- (3) Living expenses allowance of Rs.4,000/- per month is paid for all employees and Supervisor's transport allowance is Rs.120,000/- per year.
- (4) The annual membership fee of the employees' welfare association is Rs.6,000/- per member.

**You are required to:**

**Prepare** the Payroll for the month of August 2019.

**(05 Marks)**

**(Total 10 Marks)**

### Question 03

**Miyuru Ltd.** is a biscuit manufacturing company. The company has two production departments: (processing, packing) and one service department (store):

The following estimated information is relating to for next year:

- Building insurance - Rs.1,250,000/-
- Machine depreciation - Rs.960,000/-
- Building depreciation - Rs.1,080,000/-

Description	Processing	Packing	Store	Total
Indirect material (Rs)	500,000	350,000	-	850,000
Indirect labour (Rs)	450,000	250,000	170,000	870,000
Machine value (Rs)	8,000,000	4,000,000	-	12,000,000
Building value (Rs)	25,000,000	15,000,000	10,000,000	50,000,000
No of material requisitions	2,000	1,000	-	3,000
Machine hours	63,300	17,500	-	80,800

Processing department's overheads are absorbed based on machine hours.

**You are required to:**

- (a) **Prepare** a statement how the overheads are allocated and apportioned to each production department. **(08 Marks)**
- (b) **Calculate** production overhead absorption rate per unit of processing department. **(02 Marks)**

**(Total 10 Marks)**

### Question 04

**Ganga, Nadee and Yamuna** were partners of a partnership which was established in the year 2005. The partnership agreement provides the following terms.

- **Ganga, Nadee and Yamuna** were sharing profit and loss in the ratio of 3:2:1 respectively
- Partners are entitled to receive an interest of 10% per annum on opening capital account balances.
- **Ganga and Nadee** are entitled to receive a monthly salary of Rs.10,000/- and Rs.15,000/- respectively.

The following Trial balance was extracted from the business as at 31<sup>st</sup> March 2019:

*(Rs.'000)*

	<b>Debit</b>	<b>Credit</b>
Property, Plant & Equipment at cost	3,700	
Accumulated Depreciation		420
Cost of sales	2,985	
Capital accounts balances as at 01 <sup>st</sup> April 2018		
- Ganga		1,500
- Nadee		1,000
-Yamuna		500
Current account balances as at 01 <sup>st</sup> April 2018		
- <b>Ganga</b>		300
- <b>Nadee</b>	100	
- <b>Yamuna</b>		285
Sales		6,800
Administration Expenses	470	
Distribution Expenses	1,800	
Finance Expenses	225	
Drawings - <b>Ganga</b>	120	
- <b>Nadee</b>	125	
- <b>Yamuna</b>	60	
Cash in hand and cash at bank	1,220	
	<b>10,805</b>	<b>10,805</b>

On 31<sup>st</sup> March 2019, **Yamuna** decided to retire from the partnership. The goodwill of the partnership as at 31<sup>st</sup> March 2019 was valued at Rs.1,800,000/- and it is to be adjusted through the partners' capital accounts without showing a goodwill account.

**Ganga** and **Nadee** decided to continue the partnership sharing profit or loss equally. It was decided to transfer the full amount payable to **Yamuna** to a loan account after her retirement.

**You are required to:**

**Prepare** the followings for the year ended 31<sup>st</sup> March 2019

- (a) Profit and loss appropriation Account of the partnership. (03 Marks)
- (b) Capital accounts. (03 Marks)
- (c) Current accounts. (04 Marks)
- (Total 10 Marks)**

### Question 05

**Spicy Sports Club** commenced in the year 2000. The number of members as at 01<sup>st</sup> January 2019 was 50 and annual membership fee is Rs.20,000 per member.

- (1) The following information is relating to membership fees received during the year 2019:
- 10 members paid their membership for the year 2018.
  - 45 members paid membership fee for this year.
  - 5 members paid membership fee for the next year.
- (2) As at 01<sup>st</sup> January 2019, 15 members did not pay the membership fee for the year 2018 and 5 members paid their fees for the year 2019.
- (3) Other Assets and liabilities were as follows. (Rs.'000)

	As at 01 <sup>st</sup> January 2019	As at 31 <sup>st</sup> December 2019
Sports Equipment at carrying value	8,500	9,000
Land & Buildings	2,400	2,000
Accrued Electricity	400	200

(4) The following payments were made during the year:

	Rs.'000
Sports Equipment	1,800
Electricity	600
Printing & Stationery	200
Ground Maintenance	150
Salaries	750
Advertising	100

(5) Donate received during the year was Rs.2,750,000/-.

(6) Cash balance as at 01<sup>st</sup> of January 2019 was Rs.175,000/-.

**You are required to:**

**Prepare** the following for the year ended 31<sup>st</sup> December 2019:

- (a) Membership subscription account (03 Marks)
- (b) Receipts and payments account (03 Marks)
- (c) Income and Expenditure account (04 Marks)
- (Total 10 Marks)**

### Question 06

**Marrio** started a sole proprietorship investing Rs.1,000,000/- on 01<sup>st</sup> October 2019. However he is not maintaining proper books of accounts.

(1) The following information was extracted from the bank statements of his business for the period ended 31<sup>st</sup> December 2019:

		Rs.
Receipts	Investment	1,000,000
	Sales	2,400,000
	Loan	750,000
Payments	Suppliers	1,200,000
	Rent (Rs.25,000/- per month)	300,000
	Electricity & telephone	190,000
	Salaries	650,000
	Motor vehicle acquired on 30 <sup>th</sup> November 2019	1,200,000

- (2) All the sales are made on cash basis and **Marrío** withdraws Rs.10,000/- each month from sales collection before banking from October 2019 month.
- (3) Trade payables and accrued electricity as at 31<sup>st</sup> December 2019 were Rs.275,000/- and Rs.7,500/- respectively.
- (4) Stock as at 31<sup>st</sup> December 2019 was Rs.425,000/-.
- (5) Motor vehicles are depreciated at 20% per annum on the straight-line basis.
- (6) A bank loan of Rs.750,000/- was obtained on 01<sup>st</sup> December 2019 at the interest rate of 12% per annum and 1<sup>st</sup> installment was paid on 01<sup>st</sup> January 2020.
- (7) Bank charge of Rs.4,500/- has not been recorded in the books of account.

**You are required to prepare:**

Comprehensive income statement for the period ended 31<sup>st</sup> December 2019 of **Marrío business**.

**(10 Marks)**

***End of Section B***

**One (01) Compulsory Question****(Total 25 marks)****SECTION C****Question 07**

**SITJ (Pvt) Ltd.** which is a limited liability company is in the business of selling mobile phones and computers.

Trial balance as at 31<sup>st</sup> March 2019 is as follow:

(Rs.'000)

	<b>Debit</b>	<b>Credit</b>
Property, Plant and Equipment (PPE) at cost	22,000	
Accumulated depreciation as at 01 <sup>st</sup> April 2018		6,500
Stocks as at 01 <sup>st</sup> April 2018:		
Computers	3,500	
Phones	1,200	
Sales:		
Computer sales		25,375
Phone sales		15,000
Purchases:		
Computer	8,500	
Phones	6,000	
Other income		2,000
Bad debts	160	
Allocation for doubtful debts as at 01 <sup>st</sup> April 2018		560
Trade payables		5,000
Trade receivable	12,000	
Stated Capital (1,000,000 Ordinary shares)		15,000
Retained earnings as at 01 <sup>st</sup> April 2018		5,000
Electricity	250	
Rent paid	500	
Income tax paid	100	
Salaries and wages	1,800	
Sales commission	450	
Advertising	375	
Telephone expenses	250	
12% Bank loan obtained on 01 <sup>st</sup> March 2019		4,000
Cash and cash at bank	21,350	
	<b>78,435</b>	<b>78,435</b>

The following additional information is also provided:

(1) The cost and net realizable value of the stock as at 31<sup>st</sup> March 2019 were follows:

	Cost (Rs.)	Net realizable value (Rs.)
Computers	2,000,000	2,500,000
Phones	500,000	300,000

(2) Details of Property, Plant and Equipment (PPE) as at 01<sup>st</sup> April 2018 are given below: (Rs.'000)

	Cost	Accumulated Depreciation	Carrying amount
Land	9,000	-	9,000
Building	6,000	4,000	2,000
Motor vehicles	6,000	2,000	4,000
Office equipment	1,000	500	500
	22,000	6,500	15,500

- All PPE is depreciated at 10% per annum on the straight line method.
  - A motor vehicle was sold for Rs.2,800,000/- on 01<sup>st</sup> January 2019. This vehicle was purchased for Rs.3,500,000/- on 31<sup>st</sup> December 2014. Sale proceed on disposal was debited to cash account and credited to computer sales account. Other than that no entries were made on this regard.
- (3) It is estimated that cost of 5% on all computer and phone sales is incurred on warranty certificates.
- (4) The company's policy is to allow 5% for doubtful debts on the trade receivables balance as at 31<sup>st</sup> March 2019.
- (5) Electricity bill of Rs.45,000/- for March 2019 has not been paid.
- (6) The company entered a rent agreement on 01<sup>st</sup> April 2018 and monthly rent is Rs.50,000/-.
- (7) Income tax for the year of assessment 2018/19 is estimated to be Rs.250,000/-.
- (8) The board of directors has proposed to pay a dividend of Rs.2.50 per ordinary share on 15<sup>th</sup> April 2019, for the year ended 31<sup>st</sup> March 2019.
- (9) During the year, the company transferred Rs.1,000,000/- to general reserve and no entries were made in this regard.
- (10) The board of directors has approved the issuance of the financial statements on 18<sup>th</sup> May 2019.

**You are required to:**

**Prepare** the following:

- (a) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31<sup>st</sup> March 2019. (12 Marks)
- (b) Statement of Financial Position as at 31<sup>st</sup> March 2019. (13 Marks)

**(Total 25 Marks)**

**End of Section C**

# Action Verbs Check List

Analysis (4)	Draws Connections Among Ideas and Solve Problems	Analyze	Examine in details to find the solution or outcome
		Differentiate	Constitute a difference that distinguishes something
		Discuss	Examine in detail by arguments
		Compare	Examine to discover similarities
		Contrast	Examine to show differences
		Outline	Make a summary of significant features
		Communicate	Share or exchange information
Application (3)	Uses and Adapts Knowledge in New Situations	Apply	Put to practical use
		Calculate	Ascertain or reckon with mathematical computation
		Demonstrate	Prove or exhibit with examples
		Prepare	Make or get ready for particular purpose
		Solve	Find solutions through calculations and/or explanation
		Assess	Determine the value, nature, ability or quality
		Graph	Represent by graphs
Comprehension (2)	Explains Ideas and Information	Reconcile	Make consistent/compatible with another
		Define	Give the exact nature, scope or meaning
		Explain	Make a clear description in detail using relevant facts
		Describe	Write and communicate the key features
		Interpret	Translate in to understandable or familiar terms
Knowledge (1)	Recalls Facts and Basic Concepts	Recognize	Show validity or otherwise using knowledge or contextual experience
		List	Write the connected items
		Identify	Recognize, establish or select after consideration
		State	Express details definitely or clearly
		Relate	Establish logical or causal connections
		Draw	Produce a picture or diagram
Level of competency	Description	Action Verbs	Verb Definitions



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**SUGGESTED ANSWERS**

**Level II**

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**Objective Test Questions (OTQ)**12 Compulsory Questions  
(Total 25 marks)**SECTION A****Answer to Question 01****1.1** (2)**1.2** (4)**1.3** (3)**1.4** (1)**1.5** (3)**1.6**

	<b>Financial Accounting</b>	<b>Cost Accounting</b>
Time span	Transactions are recorded and statements are prepared for a definite period.	Transactions are identified with cost unit / cost object.
Coverage of transactions	It covers transactions of the whole business.	It covers only a part of the transactions.
Purpose	It is prepared to present operational results and financial position of the business.	It aims to help the management for proper planning, control and decision making.
Analysis of expenditure	It analyses the expenditure according to the function.	It analyses expenditure on different bases.
Efficiency	The overall results and financial position of the business are revealed by financial statements.	It analyses the profitability of each department, cost unit, job or process.
Material control	It does not say anything about the efficiency / inefficiency of material handling.	It provides a system of good inventory control by prescribing procedures for purchases, storage, issues etc.
Independence of the system	It is independent of cost accounting.	It depends upon financial accounting data.
Reconciliation of results	It does not need any reconciliation.	It needs reconciliation of its profit with financial records.
Wastages	There are no such categories.	Wastages or losses are identified and categorized into normal and abnormal.
Transactions	It deals with actual facts and figures.	It deals partly with actual facts and figures, and partly with estimates.
Stock valuation	Stocks are valued at "Cost price" or "Net realizable value" whichever is less.	Stocks are valued at cost.
Legal requirements	Should adhere to various legislatives.	These records are generally kept to meet the requirements of the management.

**(Any 2 differences - 02 Marks)**

**1.7**

- (1) To make sure the supply of material in right quantity and quality at the right time.
- (2) To maintain a balance between price, quality and delivery in choosing a supplier.
- (3) To ensure that the investment of capital in stocks is not tied up. (avoiding over-stocking)
- (4) To avoid abnormal wastages, leakages, etc.
- (5) To avoid obsolescence of material
- (6) To provide the management with information with regard to materials.
- (7) To ensure proper storage and utilization.
- (8) To facilitate for stock taking.
- (9) To check stock levels physically on a regular basis. **(Any 2 points - 2 Marks)**

**1.8**

- (1) No incentive to efficient workers to increase output.
- (2) All employees in the grade are paid at the same rate regardless of performance.
- (3) Close supervision is compulsory and therefore the cost of supervision is high.
- (4) Efficient and inefficient workers get the same wage. i.e. efforts and rewards are not matched.
- (5) Equality in wages to all, will depress the superior worker.
- (6) Labour cost per unit is difficult to estimate.
- (7) Workers may work slowly to get overtime payments.
- (8) In productions where the quantity is much more important than the quality, this method is not suitable. **(Any 2 points - 2 Marks)**

**1.9**

- (a) Consent should be taken from all the partners. **(01 Mark)**
- (b) Decision must be unanimous. **(01 Mark)**

**1.10**

- (1) Zero break downs.
- (2) 100% on time delivery.
- (3) Elimination of non-value added activities.
- (4) Zero defects.
- (5) Lower investment required in inventory.
- (6) Space savings.
- (7) Greater customer satisfaction resulting from higher quality and better deliveries.

**(Any 2 points - 2 Marks)****1.11**

Land & Building	Dr	6,000	
Motor vehicle	Cr		400
Capital Accounts A	Cr		2,800
	<b>B</b> Cr		1,680
	<b>C</b> Cr		1,120
<b>(Being account of revaluation of assets)</b>			

**(02 Marks)****1.12**

Profit as per financial accounts	632,325
Add: Director fee	250,000
	882,325
Less: Opening stock	(48,000)
Closing stock	(40,000)
Profit as per cost account	794,325

**(03 Marks)****(Total 25 Marks)*****End of Section A***

**Five Compulsory Questions**

(Total 50 marks)

**SECTION B**

*Answer to Question 02*

**Unit 5 - Cost Accounting.**

Learning outcome - Explain procedures used in Material control and calculate costs related to inventory.

- Identify procedures used in Labour and calculate labour cost.

(A)

Rs. '000

Date	Receipts			Issues			Balance		
	Units	Unit price (Rs)	value (Rs)	Units	Unit price (Rs)	value (Rs)	Unit	Unit price (Rs)	value (Rs)
01/12							100	20	2,000
03/12	250	30	7,500				350	27	9,500
05/12	200	32	6,400				550	28.9	15,900
10/12				150	28.9	4,335	400	28.9	11,565
15/12				200	28.9	5,780	200	28.9	5,785
21/12	300	28	8,400				500	28.37	14,185
25/12	250	24	6,000				750	26.9	20,185
30/12				450	26.9	12105	300	26.9	8,080

(a) Rs.8,080,000/-.

(03 Marks)

(b) Rs.22,220,000/-.

(02 Marks)

(B)

(Rs.)

Name	Basic Salary	Additions			Gross Salary	Deductions		Net Salary	EPF 15%	ETF 3%
		Living Expense Allowance	Transport Allowance	Overtime		Membership Fee	EPF 10%			
Nimal	2,560	4,000			6,560	500	256	5,804	384	76.8
Nandasena	800	4,000			4,800	500	80	4,220	120	24
Amarasinghe	1,280	4,000		432	5,712	500	128	5,084	192	38.4
Amal	3,200	4,000	10,000	-	17,200	500	320	16,380	480	96
<b>Total</b>	<b>7,840</b>	<b>16,000</b>	<b>10,000</b>	<b>432</b>	<b>34,272</b>	<b>2,000</b>	<b>784</b>	<b>31,488</b>	<b>1,176</b>	<b>235.2</b>

(05 Marks)

(Total 10 Marks)

**Answers to Question 03**

**Unit 5 - Cost Accounting.**

Learning outcomes - Assess distribution / absorption of overheads.

(a)

**Overhead analysis sheet**

(Rs.)

Cost Item	Division Basic	Total overhead cost	Production departments		Service Department
			Processing	Packing	
Indirect material	Direct basis	850,000	500,000	350,000	-
Indirect Labour	Direct basis	870,000	450,000	250,000	170,000
Building insurance	Building cost 5:3:2	1,250,000	625,000	375,000	250,000
Machine depreciation	Machine cost 2:1	960,000	640,000	320,000	-
Building depreciation	Building cost 5:3:2	1,080,000	540,000	324,000	216,000
			2,755,000	1,619,000	636,000
Distribution of service department cost	No of material requisitions 2:1		424,000	212,000	(636,000)
<b>Total overhead cost of production department</b>			<b>3,179,000</b>	<b>1,831,000</b>	-

(08 Marks)

Working

Building Insurance

$$\text{Processing} - \text{Rs. } 1,250,000 \times \frac{5}{10} = \text{Rs. } 625,000$$

$$\text{Packing} - \text{Rs. } 1,250,000 \times \frac{3}{10} = \text{Rs. } 375,000$$

$$\text{Store} - \text{Rs. } 1,250,000 \times \frac{2}{10} = \text{Rs. } 250,000$$

Building depreciation

$$\text{Processing} - \text{Rs. } 1,080,000 \times \frac{5}{10} = \text{Rs. } 540,000$$

$$\text{Packing} - \text{Rs. } 1,080,000 \times \frac{3}{10} = \text{Rs. } 324,000$$

$$\text{Store} - \text{Rs. } 1,080,000 \times \frac{2}{10} = \text{Rs. } 216,000$$

Machine depreciation

$$\text{Processing} - \text{Rs. } 960,000 \times \frac{2}{3} = \text{Rs. } 640,000$$

$$\text{Packing} - \text{Rs. } 960,000 \times \frac{1}{3} = \text{Rs. } 320,000$$

(b)

$$\begin{aligned} \text{The absorption rate per unit} &= \frac{\text{Total overhead cost of processing department}}{\text{machine hours of processing department}} \\ &= \frac{3,179,000}{63,300} \\ &= \underline{\underline{\text{Rs. } 50.22}} \end{aligned}$$

(02 Marks)

(Total 10 Marks)

**Answers to Question 04**

**Unit 3 - Financial statements for a partnership.**

Learning outcomes - Prepare financial statements for a partnership.

**(a) Profit and Loss appropriation account** *Rs.'000*

Net profit (working)		1,320
Interest on capital:		
<b>G</b>	150	
<b>N</b>	100	
<b>Y</b>	<u>50</u>	<u>(300)</u>
Salary:		
<b>G</b>	120	
<b>N</b>	<u>180</u>	<u>(300)</u>
Profit Share:		720
<b>G</b>	360	
<b>N</b>	240	
<b>Y</b>	120	<u>(720)</u>
		-

Working

**Income Statement**

Sales		6,800
Cost of sales		(2,985)
Gross profit		3,815
Distribution Expenses	(1,800)	
Administration Expenses	(470)	
Finance Expenses	(225)	(2,495)
Net profit		1,320

**(03 Marks)**

**(b)**

**Capital Accounts**

*(Rs.'000)*

	<b>Ganga</b>	<b>Nadee</b>	<b>Yamuna</b>		<b>Ganga</b>	<b>Nadee</b>	<b>Yamuna</b>
Goodwill	900	900	-	B/B/F	1,500	1,000	500
Loan			1,195	Goodwill	900	600	300
				Current			395
B/C/F	1,500	700					
	<b>2,400</b>	<b>1,600</b>	<b>1,195</b>		<b>2,400</b>	<b>1,600</b>	<b>1,195</b>

**(03 Marks)**

(c)

**Current Accounts**

(Rs. '000)

	<b>Ganga</b>	<b>Nadee</b>	<b>Yamuna</b>		<b>Ganga</b>	<b>Nadee</b>	<b>Yamuna</b>
B/B/F		100		B/B/F	300		285
Drawings	120	125	60	Salary	120	180	-
Capital			395	Interest on Capital	150	100	50
B/C/F	810	295		Profit shares	360	240	120
	<b>930</b>	<b>420</b>	<b>455</b>		<b>930</b>	<b>420</b>	<b>455</b>

(04 Marks)

(Total 10 Marks)

**Answers to Question 05**

**Unit 4 - Financial statements using incomplete records and not for profit organizations.**

Learning outcomes - Prepare a set of financial statements for a non-profit organization.

(a)

**Membership Account**

Rs. '000

B/B/F	300	B/B/F	100
Income	1,000	Cash	1,200
B/C/F	100	B/C/F	100
	<b>1,400</b>		<b>1,400</b>

(03 Marks)

(b)

**Spicy Sports Club**

**Receipts and Payments account**

Rs. '000

	<b>Receipts</b>		<b>Payments</b>
B/B/F	175	Sports Equipment	1,800
Membership Subscription	1,200	Electricity	600
Donation	2,750	Printing & Stationery	200
		Ground maintenance	150
		Salaries	750
		Advertisement	100
		B/C/F	525
	<b>4,125</b>		<b>4,125</b>

(03 Marks)

(c)

**Spicy Sports Club**

**Income & Expenditure account**

*Rs. '000*

<u>Income</u>		
Members Subscription	1,000	3,750
Donation	2,750	
<u>Expenditure</u>		
Printing and Stationery	200	3,300
Ground Maintenance	150	
Salaries	750	
Advertising	100	
Depreciation - Sport Equipment	1,300	
- Building	400	
Electricity (w - 01)	400	
<b>Surplus for the year</b>		

(04 Marks)

(W - 01)

**Electricity**

		B/B/F	400
Cash	600		
		P&L	400
B/C/F	200		
	<b>800</b>		<b>800</b>

(Total 10 Marks)

## Answers to Question 06

### Unit 4 - Financial statements using incomplete records and not for profit organizations.

Learning outcomes - Prepare financial statements based on incomplete records.

**Marrio Business**  
**Income Statement for the period ended 31<sup>st</sup> December 2019** (Rs. '000)

Sales (2400 + 30)		2,430
Purchases (w – 01)	1,475	
Closing stock	(425)	
Cost of sales		1,050
Gross profit		1,380
Distribution Expenses:		
Depreciation – Motor vehicles (1200×20%×1/12)	20	(20)
Administration Expenses:		
Rent (25,000 × 3)	75	
Electricity (190 +7.50)	197.50	
Salaries	650	(922.50)
Finance Expenses:		
Bank Charge	4.5	
Loan interest (750 × 12%×% 1/12)	7.5	(12)
<b>Net profit</b>		<b>425.50</b>

W – 01

**Trade Payables**

Cash	1,200	Purchase	1,475
B/C/F	275		
	1,475		1,475

(10 Marks)

**End of Section B**

**Answers to Question 07**

**Unit 1 - Elements & components of financial statements and adjustments for financial statements.**

**Unit 2 - Financial statements for a limited liability company.**

Learning outcomes - Explain accounting treatments disclosure requirements as per SLASs.

- Prepare a set of financial statements for a limited liability company.

**SITJ (Pvt) Ltd**

**Comprehensive income statement**

**For the year ended 31<sup>st</sup> March 2019**

*(Rs. '000)*

Sales (25,375 + 15,000 – 2,800)		37,575
(-) Cost of sales – W - 01		(16,900)
Gross profit		20,675
(+) Other Income (2,000 + 700) –w-03		2,700
		23,375
(-) Expenses		
Distribution – W – 04	3,416.25	
Administrative – W – 05	3,645	
Finance	40	(7,101.25)
Profit before tax		16,273.75
(-) Income tax		(250)
Profit for the year		16,023.75

**(12 Marks)**

**SITJ (Pvt) Ltd**  
**Statement of financial position**  
**As at 31<sup>st</sup> March 2019**

(Rs. '000)

<b><u>Non-current assets</u></b>		
Property, Plant and Equipment – W - 02		12,187.50
<b><u>Current assets</u></b>		
Stock	2 300	
Trade receivables	12 000	
(-) Provision of doubtful debt	(600)	
Cash and cash equivalents	21,350	35,050
<b>Total assets</b>		<b>47,237.50</b>
<b><u>Equity and Liabilities</u></b>		
Started Capital (Ordinary shares)	15,000	
Retained earnings (5000 – 1000 + 16,023.75)	20,023.75	
General reserve	1,000	36,023.75
<b><u>Non-current assets</u></b>		
Bank loan	4,000	4,000
<b><u>Current assets</u></b>		
Accrued electricity	45	
Income tax Payables	150	
Provision of warranty 3,7575×5%	1 878.75	4,000
Accrued interests	40	
Rent payables	100	
Trade payables	5,000	7,213.75
<b>Total Equity &amp; Liabilities</b>		<b>47,237.50</b>

(13 Marks)

**W - 01      Cost of sales**

Stock (3,500 + 1,200)	4,700
Purchases (8,500 + 6,000)	14,500
	19,200
Closing stock (2,000 + 300)	(2,300)
	16,900

**W - 02****Property, Plant & Equipment**

	<b>Land</b>	<b>Building</b>	<b>Motor vehicles</b>	<b>Office Equipment</b>	<b>Total</b>
As at 01/04/2018	9,000	6,000	6,000	1,000	22,000
Disposal			(3,500)		(3,500)
As at 31/03/2019	9,000	6,000	2,500	1,000	18,500
Depreciation					
As at 01/04/2018	-	4,000	2,000	500	6,500
Disposal			(1,400)	-	(1,400)
Depreciation	-	600	512.5	100	1,212.5
As at 31/03/2019	-	4,600	1,112.5	600	6,312.5
Carrying value					12,187.5

**W - 03****Disposal of Motor vehicles**

Cost	3,500	Cash	2,800
Profit	700	Depreciation	1,400
	<u>4,200</u>		<u>4,200</u>

Depreciation on Disposal	-	$3,500 \times 10\% \times 4$	= 1,400
Depreciation	-	Motor vehicle	
Disposed	-	$3,500 \times 10\% \times 9/12$	= 262.5
Balance	-	$2,500 \times 10\%$	= 250
			<u>512.5</u>

**W - 04 Distribution expenses**

Sales commission	450.00
Warranty provision	1,878.75
Bad debt	160.00
Provision of bad debt	40.00
Advertising	375.00
Depreciation Motor vehicles	<u>512.50</u>
	<u>3,416.25</u>

**W - 05 Administration expenses**

Electricity (250+45)	295
Rent	600
Salaries & wages	1,800
Telephone	250
Depreciation - Building	600
- Office Equipment	<u>100</u>
	<u>3,645</u>

**(Total 25 Marks)****End of Section C**